



United States Department of the Interior



BUREAU OF LAND MANAGEMENT
Utah State Office
440 West 200 South, Suite 500
Salt Lake City, UT 84101-1434

JAN 08 2020

In Reply Refer To:
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JAN 14 2020

DECISION

Canyon Fuel Company LLC
9815 South Monroe Street
Suite 203
Sandy, Utah 84070

Coal LMU – UTU-73338

DIV OF OIL, GAS & MINING

Coal Leases

UTU-0147570

UTU-044076

UTU-0142235

UTU-67939

UTU-020305

UTU-77114

UTU-073120

Modified Skyline Logical Mining Unit Adjustment of Reserves and Acreage

On December 20, 1993, the Skyline Logical Mining Unit (LMU) was approved effective August 1, 1998. The LMU included Federal coal leases UTU-0147570, UTU-044076, UTU-0142235, UTU-67939, UTU-020305 and UTU-073120. On May 29, 2019, Canyon Fuel Company LLC, filed an application to modify the LMU to include Federal Coal lease UTU-77114 and two private leases. The adjustment to the LMU was published in the Emery County Progress Newspaper and the Sanpete County Pyramid Newspaper for once a week for two consecutive weeks June 19, 2019, and June 26, 2019.

The Bureau of Land Management, Utah State Office has completed the review of the Skyline LMU application submitted by Canyon Fuel Company LLC and has determined that the LMU is in conformance with the approval criteria as per 43 CFR 3487. This determination is based upon the following:

1. The LMU recoverable reserves are capable of being developed in an efficient, economical and orderly manner as a unit with due regard to the conservation of the recoverable coal reserves and other resources. Approval of the LMU will not affect the recovery, sequencing or development schedule of the contained Federal coal reserves with respect to the approval Resource Recovery and Protection Plan (R2P2).
2. All lands in the LMU are operated by and under the effective control of Canyon Fuel LLC.

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COLORADO, NEW MEXICO, UTAH, WYOMING

3. All lands within the LMU application will be developed and operated as a single operation which will include multiple portals. Canyon Fuel LLC, will mine coal from the Skyline LMU and ship coal to user locations.
4. All lands within the proposed LMU are contiguous. The BLM has conducted an in-depth review of the legal land descriptions for all lands contained in the Skyline LMU application (including modifications) which show that there is at least one point in common on all lands.
5. Mining operations will achieve maximum economic recovery (MER) of the Federal Coal reserves within the LMU. The amount of coal that can be obtained by creation of the LMU is larger than if the LMU was not formed. The BLM has approved a modification to the R2P2 for the LMU and an MER determination was made on August 1, 2019.
6. No Federal coal leases included in this LMU are included in any other LMU. There are no other active LMU's in the area.
7. The Skyline LMU contains currently contains 9,520.16 acres. With the added acreage the LMU will contain 12,846.56 acres and therefore does not exceed the 25,000-acre limit.
8. The following lands contain fee coal and are included into the Skyline LMU.

Fee - Cunningham-Tracy Lease	346.68 Acres	T. 14 S., R. 6 E., sec. 3, lots 3 and 4, S $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$.
Fee - Pacificorp Lease	287.56 Acres	T. 14 S., R. 6 E., sec. 3, lots 1 and 2, S $\frac{1}{2}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$, E $\frac{1}{2}$ W $\frac{1}{2}$ SE $\frac{1}{4}$, NW $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$.

If you concur with the modified stipulations (See Attachment A and B) that brings everything current, please sign, date and return an original to this office. Upon receipt by this office of the signed copy of the LMU, a decision approving the Skyline LMU effective June 1, 2018, will be issued.

If we do not receive a response from you within 30 days of your receipt of this letter, we will assume that you no longer want to have the LMU modified and Federal Coal lease UTU-77114 will remain subject to its individual Federal lease terms.

If there are any questions regarding this decision, please contact Judy Nordstrom at (801) 539-4108 or jnordstr@blm.gov.



Anita Bilbao
Acting State Director

Enclosure

cc:

Utah Division of Oil, Gas and Mining
PO Box 145801
Salt Lake City, Utah 84114-5801

Manti-La Sal National Forest
599 West Price River Drive
Price, Utah 84501

Price Field Office

Office of Natural Resources Revenue
Email onrrsolidmineralreferencedata@onrr.gov

SKYLINE LMU

Attachment A

Leases to Add in LMU

UTU-77114

T. 13 S., R. 6 E., SLM
sec. 21, Lots 1-4, E $\frac{1}{2}$ E $\frac{1}{2}$;
sec. 28, Lots 1-8, S $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$;
sec. 33, E $\frac{1}{2}$, NW $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ W $\frac{1}{2}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$.
T. 14 S., R. 6 E., SLM
sec. 4, All;
sec. 5, All.

Sanpete County
Manti-La Sal National Forest
2,692.16 Acres

Lease Effective: July 1, 2015

Lessee: Canyon Fuel Company LLC

**Fee - Cunningham-
Tracy Lease** 346.68 Acres

T. 14 S., R. 6 E.,
sec. 3, lots 3 and 4, S $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$,
W $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$.

**Fee - Pacificorp
Lease** 287.56 Acres

T. 14 S., R. 6 E.,
sec. 3, lots 1 and 2, S $\frac{1}{2}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$,
E $\frac{1}{2}$ W $\frac{1}{2}$ SE $\frac{1}{4}$, NW $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$.

The following is a list of lands currently contained in the Skyline LMU

UTU-0142235

T. 13 S., R. 6 E., SLM
sec. 11, S $\frac{1}{2}$ S $\frac{1}{2}$;
sec. 14, W $\frac{1}{2}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$.
Emery and Carbon Counties
Manti-La Sal National Forest
520.00 Acres

Lease Effective: October 1, 1964

Lessee: Canyon Fuel Company LLC

UTU-0147570

T. 13 S., R. 6 E., SLM

sec. 10, Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$;

sec. 15, E $\frac{1}{2}$ NE $\frac{1}{4}$;

sec. 22, All;

sec. 23, W $\frac{1}{2}$ E $\frac{1}{2}$, W $\frac{1}{2}$.

Emery and Carbon Counties

Manti-La Sal National Forest

1,532.70 Acres

Lease Effective: May 1, 1966

Lessee: 10/01/1964

UTU-020305

T. 13 S., R. 6 E., SLM

sec. 13, Lot 7;

sec. 14, SE $\frac{1}{4}$ SE $\frac{1}{4}$;

sec. 23, E $\frac{1}{2}$ NE $\frac{1}{4}$;

sec. 24, W $\frac{1}{2}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$.

Emery and Carbon Counties

Manti-La Sal National Forest

279.40 Acres

Lease Effective: March 1, 1962

Lessee: Canyon Fuel Company LLC

UTU-044076

T. 13 S., R. 6 E., SLM

sec. 26, W $\frac{1}{2}$ E $\frac{1}{2}$, W $\frac{1}{2}$;

sec. 27, Lots 1-4, E $\frac{1}{2}$, E $\frac{1}{2}$ W $\frac{1}{2}$;

sec. 34, Lots 1-8, S $\frac{1}{2}$;

sec. 35, Lots 1-7, NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$,
N $\frac{1}{2}$ SE $\frac{1}{4}$.

Emery County

Manti-La Sal National Forest

2,489.32 Acres

Lease Effective: September 1, 1965

Lessee: Canyon Fuel Company LLC

UTU-073120

T. 13 S., R. 6 E., SLM

sec, 13, Lots 1-6, 8;

sec, 14, NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$;

sec, 24, NE $\frac{1}{4}$ NW $\frac{1}{4}$.

Emery and Carbon Counties

Manti-La Sal National Forest

557.22 Acres

Lease Effective: February 1, 1964

Lessee: Canyon Fuel Company LLC

UTU-67939

T. 12 S., R. 6 E., SLM

sec. 25, Lots 3, 4, SW $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$;

sec. 26, Lots 1-4, S $\frac{1}{2}$;

sec. 34, Lots 1-4, NE $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$,

SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ N $\frac{1}{2}$;

sec. 35, All.

T. 13 S., R. 6 E., SLM

sec. 2, All;

sec. 3, All;

sec. 10, Lots 1, 2, NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$;

sec. 11, N $\frac{1}{2}$, N $\frac{1}{2}$ S $\frac{1}{2}$.

Emery and Carbon Counties

Manti-La Sal National Forest

4,061.52 Acres

Lease Effective: September 1, 1996

Lessee: Canyon Fuel Company LLC

1. **Unit Operator:** Canyon Fuel Company LLC
9815 South Monroe Street
Suite 203
Sandy, Utah 84070

2. **Stipulations:** As a consideration to the approval of the LMU, the operator/lessee consents to the following stipulations which make all Federal leases within the LMU subject to uniform requirements of the approval Resource Recovery and Protection Plan (R2P2). LMU recoverable reserves exhaustion, diligent development, continued operation, maximum economic recovery, advance royalty and royalty reporting periods. As of August 1, 1988, the diligence terms and conditions of the Federal lease are subject to or are superseded by the diligence requirements imposed on the LMU.

a. **Supervision:** Bureau of Land Management
Price Field Office
125 South 600 West
Price, Utah 84501

Bureau of Land Management
Utah State Office
440 South 200 South, Suite 500
Salt Lake City, Utah 84101

The authorized office (AO) which is the Price Field Manager located at the above listed location is responsible for the review and approval of exploration plans, mining plans, and modifications thereto, and prior to the commencement of mining operations within a permit area approved pursuant to the Surface Mining Control and Reclamation Act (SMCRA) of 1977. The AO is also responsible for review and approval of the R2P2 and any modification's thereto, and is also responsible for inspection and enforcement, including production verification, of such operations on all lands and all coal within the enforcement, including production verification, of such operations on all lands and all coal within the LMU, and for implementing all other applicable provisions of the 43 CFR 3400 rules for the LMU. The Authorized Office (AO) for the formation and modification of the LMU is the Minerals Support Manager at the Utah State Office.

b. Resource Recovery and Protection Plan: In accordance with 43 CFR 3482.1(b and c) the LMU must have a life-of mine R2P2. The life-of-mine LMU R2P2 was approved by the BLM as part of the original LMU approval on November 2, 1993. Prior to commencement of mining on the Skyline LMU, an update to the R2P2 shall be required. The update must be approved by the AO prior to commencement of mining operations.

c. Diligent Development and Continued Operation Requirements: Pursuant to 43 CFR 3480.0-5 (a)(13)(B), the LMU must meet "diligence" development requirement of production of commercial quantities (1% of the recoverable coal reserves) by the diligence due date" (date by which diligence must be met). This is ten years after the most recently issued or readjusted lease after August 4, 1976, in the original LMU application. Continue operations must be maintained after diligence has been met and this begins on the month after diligence has been achieved. Each 12-month period after diligence has been met is designated as a continued operation year (COY). Commercial quantities must be mined in every COY after

diligence has been met. Coal must be mined anywhere within the boundaries of the LMU in order to be credited toward meeting these requirements.

The diligent development period for the Skyline LMU began on May 1, 1986, which is the date in which the most recently readjusted federal coal lease became "subject to diligence" (based on the original LMU application as dated July 29, 1988, Therefore the LMU diligence due date is May 1, 1996. As lands are added or removed from the LMU, or as geologic information changes, the commercial quantities requirement can change. Canyon Fuel Company LLC met the "diligence" development requirement on May 31, 1987.

The LMU must maintain continued operation requirements (mining commercial quantities). Since the LMU met the requirement for diligent development in May 31, 1997, the first COY for this LMU began on April 1, 1987. The LMU has met the COY requirements for every year through COY 33. Based on the August 1, 2019, R2P2 approval the LMU must produce 1,330,427 tons from April 1, 2019 to March 31, 2020 (COY 33).

d. Advance Royalty: 43 CFR 3883.4 allows for advance royalty to be paid in lieu of continue operation requirements. Advance royalty may be paid in lieu of continued operation, after diligent development is achieved, at any time during the life of the lease or LMU. In accordance with 30 U.S.C. § 207 (b) (2010) (109 P.L. No. 58 § 434, August 8, 2005) payment of advance royalties shall reduce the amount of production royalty to be paid for any year (but not below zero) to the extent that the advance royalties have not been used to reduce production royalties for a prior year. The aggregate number of years during the life of the lease or LMU that advance royalty can be paid is twenty (20). This LMU has never been in advanced royalty status.

e. Reporting Period: The rental amount for the Federal coal leases is to be prorated to the effective date of the LMU. Thereafter, rental for Federal Coal leases contained in the LMU will be due, in a lump sum, annually on the anniversary date for the LMU approval, August 1, 2020. The rentals will be required to be prorated. The lessee will be required to pay the amount of rentals on each lease anniversary date to bring its payments up to date. At that point in time the rental for the LMU will be required which will include all Federal leases.

Royalties for Federal recoverable reserves produced within the LMU will be paid on the appropriate the Office of Natural Resources Revenue (ONRR) Production and Operations reports for every royalty reporting period. The LMU royalty reporting period will be on a monthly basis beginning with the royalty period after the date that coal is first produced following the effective date of the LMU.

f. Recoverable Coal Reserves Exhaustion: The 40-year LMU recoverable coal reserves exhaustion period commences the date the coal is first produced from the LMU which will be following the effective date of LMU approval August 1, 1988. If there is production occurring within the LMU on the effective date of LMU approval, the 40-year mine out period beings on the effective date of LMU approval. In accordance with U.S.C. § 207 (B) (2010) (109 P.L. No. 58 § 434, August 8, 2005), the 40 year limit on the LMU may be extended.

g. Other: If the LMU fails for whatever reason, the Federal coal leases contained in this LMU approval (UTU-0147570, UTU-044076, UTU-0142235, UTU-67939, UTU-020305, UTU-073120 and UTU-77114) will revert to their original terms and conditions and will be treated as if they were never in the LMU.

h. Regulations: This LMU is subject to the regulations at 43 CFR 3480 and will be subject to any changes in the regulations as of the date they are published in the Federal Register.

i. Non-Federal Production: All production within an LMU is credited to the entire LMU, a certified record of all non-Federal LMU coal production must be provided to the AO on an annual basis. Progress maps and reports required by 43 CFR 3483.2 will show all Federal and non-Federal production from anywhere within the LMU. The certified record of production and the progress maps must be submitted to the BLM Price Field Office at the above address by each calendar year.

Accepted By:

Canyon Fuel Company LLC

Printed Name

Signature

Date

SKYLINE LMU

Attachment B

Diligence Development/Continued Operations

The total acreage now contained in the Skyline LMU (UTU73338) 12,155.14 acres.

BLM has adjusted the reserves according to the following table based upon the inclusion of Federal Lease UTU77114 and new information. The continued operation requirement will be as follows:

Table of Reserves as of August 1, 2019

Coal Leases	UTU-0147570	UTU-044076	UTU-0142235	UTU-67939	UTU-020305	UTU-073120	UTU-77114	Fee Acres	Total
Reserves	16,280,745	25,793,696	4,647,562	32,553,000	3,949,626	2,730,097	41,565,000	5,522,937	133,042,663
COY Requirements	162,807	257,937	46,476	325,530	39,497	27,301	415,650	55,230	1,330,427

Diligence: Skyline has met and continues to meet the diligence requirement under 43 CFR 3483.